Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 MOSCOW 22061 150540Z
ACTION EUR-12

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C O N F I D E N T I A L MOSCOW 22061

USDOC FOR BEWT/TDAD (STECHSCHULTE)

E.O. 11652: N/A
TAGS: BEXP, EEWT, ENRG, UR
SUBJECT: MORE ON NEW GAS PROJECTS -- ASTRAKHAN, YAMAL, YAKUTIA

REF: MOSCOW 20623

1. ACCORDING TO U.S. BUSINESSMAN CLOSE TO OIL AND GAS SCENE IN USSR, SOVIETS HAVE REQUESTED QUOTATIONS ON WIRE LINE AND DOWN-HOLE EQUIPMENT FOR 66-68 GAS WELLS TO BE LOCATED IN ASTRAKHAN AREA. SOURCE SAID GAS DEPOSITS IN THAT REGION ARE AMONG "DIRTIEST" IN THE WORLD, IN THAT THEY CONTAIN HIGH PERCENTAGE OF HYDROGEN SULFIDE AND CARBON DIOXIDE. EQUIPMENT SPECIFICATIONS WILL CALL FOR HIGH QUALITY (AND EXPENSIVE) CORROSION RESISTANT MATERIALS.

2. ACCORDING TO SAME SOURCE, SHORT TERM POSSIBILITIES FOR U.S.-SOURCED SALES ON THIS PROJECT ARE $25-30 MILLION. SOVIETS, MEANWHILE, ARE BILLING LONG-TERM DEVELOPMENT OF ASTRAKHAN FIELD AS SEVERAL HUNDRED MILLION DOLLAR UNDERTAKING.
CONFIDENTIAL

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PAGE 02 MOSCOW 22061 150540Z

3. SOURCE'S FIRM HAS ALSO BECOME AWARE OF RECENT SOVIET APPROACHES TO MAJOR EUROPEAN AND JAPANESE GAS FIELD DEVELOPERS TO ASCERTAIN INTEREST IN PARTICIPATING IN FURTHER MAJOR DEVELOPMENT OF FAR NORTHERN YAMAL FIELDS. THIS PROJECT WOULD LIKELY REQUIRE OFF-SHORE DEVELOPMENT IN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

INHOSPITABLE, ICE-PACKED WATERS, AS WELL AS ON-SHORE WORK IN PERMAFROST CONDITIONS. IT WOULD ALSO ENTAIL CONSTRUCTION OF NEW PIPELINE, FIRST FROM YAMAL PENINSULA TO UKHTA AREA, AND THENCE WESTWARD PARALLELING "NORTHERN LIGHTS" GAS PIPELINE INTO WESTERN USSR (SOURCE WAS UNAWARE OF PLANNED ULTIMATE DESTINATION OF YAMAL GAS).

4. DIFFERENT, BUT EQUALLY WELL-INFORMED AND RELIABLE SOURCE, REPORTED THAT SOVIETS WERE ENTERTAINING WEST GERMAN PROPOSAL FOR NEW VARIANT ON YAKUTIA GAS PROJECT WHEREBY PIPELINE WOULD LEAD WESTWARD FROM VILYUYSK FIELD AND TIE IN TO EXISTING OR ALREADY PLANNED PIPELINE NET.

5. COMMENT: ABOVE FRAGMENTARY REPORTS, RANGING FROM FAIRLY SPECIFIC SHORT-TERM DEALS TO POSSI-BILITIES OF MAJOR LONG-TERM WESTERN INVOLVEMENT IN DEVELOPMENT OF SIBERIAN ENERGY RESOURCES, APPEAR TO REFLECT CURRENT APPROACH OF U.S. FIRMS IN OIL AND GAS INDUSTRY WHO SUSTAIN THEMSELVES IN SOVIET MARKET ON RELATIVELY SMALL MORSELS WHILE CAUTIOUSLY BUT WATCHFULLY WAITING FOR POSSIBLE MAJOR KILLS. END COMMENT. GARRISON

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EO Systematic Review
20 Mar 2014
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